

There is no moving forward
without looking back.

Consolidated Non-Financial Report 2022

Addiko Bank



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Foreword by the ESG Officer

Dear Shareholders, Customers and Employees,

Apart from the presentation of the financial results in the Annual Report of Addiko Group, we would like to provide you with further insights into our activities from a non-financial point of view. This report focuses on our main initiatives in various areas relevant for our customers, employees and the general environment.

Addiko Group is a specialist banking group focusing on providing banking products and services to Consumer and Small and Medium-sized Enterprises (SME) in Central and South-Eastern Europe (CSEE). We stand for modern and digital solutions, which provide our clients with financial products and services, whenever and wherever they need them. Our strong financial results following the successful business transformation executed over the last 18-month, prove that Addiko is on the right track. At the same time, we are aware that any product or service of a company comes at a cost to the environment.

We also understand that addressing ESG themes more proactively is necessary for sustainable growth. We have therefore developed and adopted our first environmental, social and governance (“ESG”) strategy during 2022. At Addiko, we want to be part of the solution, and we will dedicate more resources to that area in the coming years.

Within this ESG strategy, specific initiatives and activities are defined to achieve our sustainable development goals to lower the carbon footprint through climate action and to further strengthen and support activities aimed at gender equality, good health and employee wellbeing, talent development and personal growth. Fostering a culture of open feedback in a safe, modern and well-governed working environment completes Addiko’s ESG mission.

Under continuous supervision of a specially designated ESG working group and the Supervisory Board and Management Board, we have launched 15 initiatives to reach our sustainable development goals. Special focus was given to the aim to reduce Addiko’s carbon footprint and support social equality, inside and outside the organization. These areas rely heavily on good governance principals to ensure that the defined goals and respective targets are met.

At Addiko Group, we see ESG not as a regulatory compulsion, but as a responsibility to the environment and as an opportunity. An opportunity to look after our stakeholders, communities, investors, employees, and business partners, while at the same time unlocking new doors for further development and growth in an environmentally friendly manner.

Our leadership teams are committed to embed sustainability in our daily business, and more importantly, to embed it in the culture of our bank. We are all committed to achieve our sustainable development goals and reinforce the positive impact of our efforts towards corporate responsibility while ensuring that we deliver meaningful, measurable and tangible results.

I would like to thank everyone whose commitment to sustainable and responsible business practice has enabled us to put our values into practice.

We hope to build on the great work of 2022 and, above all, to continue our sustainability transformation in the years to come.

Kind regards,



Tadej Krašovec

ESG Officer and Chief Risk Officer

About This Report

Addiko Group is a large corporation of public interest, which fulfils the criteria set out in section 243b of the Austrian Commercial Code (“UGB”) employing on an annual average more than 500 employees on a consolidated basis. Pursuant to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG), Addiko Bank makes use of the option provided under section 267a (6) UGB and issues the consolidated non-financial statement as a separate report, in presented form.

The following report describes Addiko’s efforts to identify and analyse environmental, social and governance (“ESG”) related risks specific for Addiko Bank’s business operations.

In 2021, Addiko conducted for the first time a climate and environmental (“C&E”) risk materiality assessment with the aim to collect information about the economic, social and environmental impact of Addiko’s business operations and identify significant sustainability-related risks and opportunities, as well as key stakeholders in the value chain. Based on these findings and following appropriate analysis, Addiko listed the topics deemed to be significant for its business operations. Following this reporting standard, Addiko conducts annual re-assessments of potential impacts of these non-financial risks on its business model, both from a market/income and cost perspective. The results of this annual assessment are presented in the following report and complemented by Addiko’s sustainable development goals, formulated in 2022, and (ongoing) measures to reflect these risks and manage key areas of action.

Thus, the main topics covered in this Consolidated Non-Financial Report comprise Addiko’s business strategy and ESG strategy, Addiko’s Clients (including selling practices & product labelling, access & affordability of products), Addiko’s Role in Society, Addiko’s Group’s People Strategy (including equality, fair working conditions, remuneration and personal development) and Group-wide Compliance (including the code of business conduct and ethics, anti-corruption, anti-bribery, customer privacy and information security).

It must be emphasised that the assessment of recent years concluded that Addiko Group - its business relationships, products and services - neither pose any significant risks, nor cause negative effects in connection with product design and lifecycle management as Addiko offers simple products associated with daily banking activities, which require little to no advisory support and are suitable for standardisation.

Unless otherwise indicated, this report includes the following entities of Addiko Group:

Addiko Bank AG as parent bank, registered in Vienna, Austria, as well as six subsidiary banks, registered, licensed and operating in five Central and South-Eastern European (“CSEE”) countries (Addiko Bank d.d. Ljubljana, Addiko Bank d.d. Croatia, Addiko Bank d.d. Sarajevo, Addiko Bank a.d. Banja Luka, Addiko Bank a.d. Beograd, Addiko Bank AD Podgorica).

1. Addiko Bank - At a Glance



MISSION & BRAND PROMISE



To make customers' life easier, to help them in unpredicted situations and to help them get things they want.

As experts in consumer and SME lending, we stand for speed and flexibility, and we promise to be there for you in all situations when you need that extra boost.



- Fully licensed bank with HQ in Austria, focused 100% on Central and South Eastern Europe
- Addiko Bank AG is regulated by the Austrian Financial Market Authority (FMA) and by the European Central Bank (ECB)
- Listed on the Vienna Stock exchange on 12 July 2019, admitted to ATX Prime on 15 July 2019 (19.5 mn shares)
- Addiko Bank has a powerful combination of CSEE presence offering a well-established physical branch network in the region, combined with in-depth international expertise, which offers a lean and efficient platform for pursuing its business strategy.



- Specialist bank for the CSEE region focused on Consumer and SME lending
- Unlocking opportunities in traditional markets with innovative digital solutions
- Simple, standardized and automate product offerings



- Maintaining strong capital position, which supports expansion
- Prudent risk management of a solid, well-provisioned portfolio from past business.
- Continuously optimize our processes and costs
- Proactively manage and mitigate non-financial risks



- Fostering financial literacy by supporting our consumers in making informed financial decisions in a straightforward manner
- Supporting employee's professional development and advancement through education programs, talent development and promoting a healthy work-life balance
- Setting an example against corruption and bribery (zero-tolerance)
- Employee volunteering programs and charity work (Addiko Cares)
- Commit to initiatives that support ESG development and enable to constantly learn and follow latest trends

2. About Us

Addiko Group (hereinafter referred to as "Addiko Bank" or "Addiko") is a specialist banking group focusing on providing banking products and services to Consumer and Small and Medium-Sized Enterprises ("SME") in Central and South-Eastern Europe ("CSEE"). Addiko Group consists of Addiko Bank AG, the listed and fully licensed Austrian parent bank registered in Vienna, Austria, regulated by the Austrian Financial Market Authority and the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates two banks), Serbia and Montenegro. Through its banks, the group services approximately 0.8 million customers, using a well-dispersed network of 154 branches and modern digital banking channels.

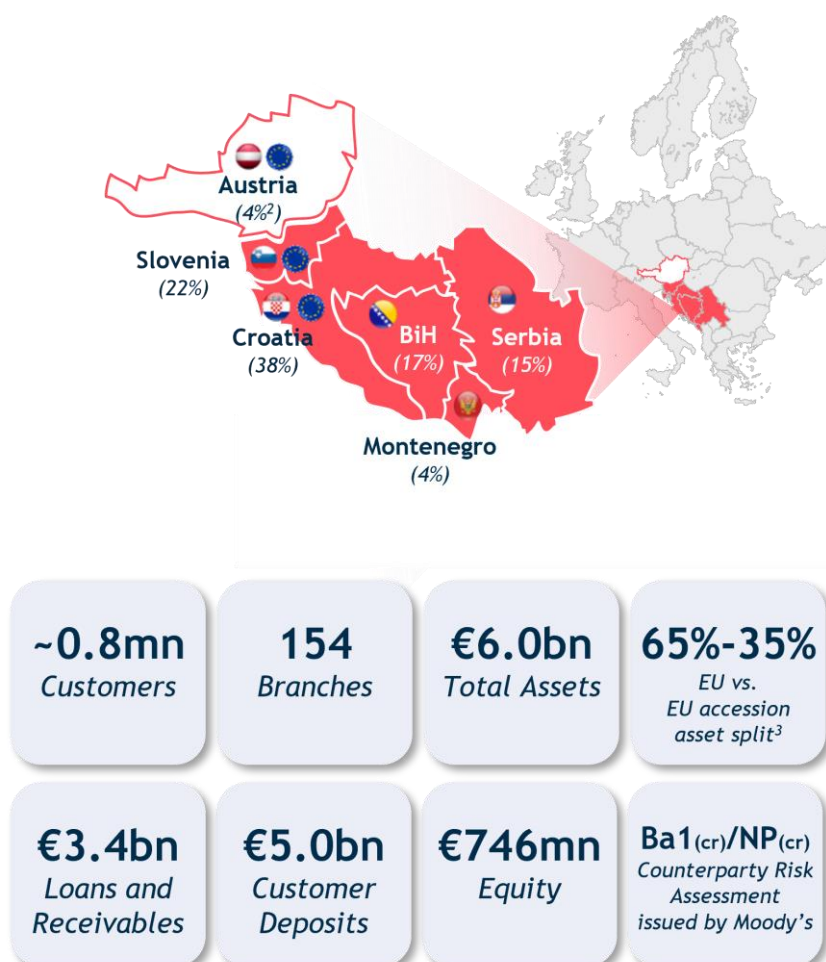
Addiko Bank AG is listed on the Vienna Stock Exchange and owned by a diversified investor base.

Based on its strategy, Addiko Group repositioned itself as a specialist Consumer and SME banking group with a focus on growing its Consumer and SME lending activities as well as payments services (its "focus areas"), offering unsecured personal loan products for consumers and working capital loans for its SME customers. These core activities are largely funded by retail deposits. Addiko Group's Mortgage lending, Public lending and Large Corporate lending portfolios (its "non-focus areas") are being reduced in an accelerated run-down process, thereby providing liquidity and capital for the growth in its Consumer and SME lending.

In 2021, a successful business transformation was launched to accelerate the transformation towards the focus areas via business growth initiatives and a faster reduction of the non-focus loan books as well as gradual exit from low-yielding and high-ticket medium enterprises within the SME segment.

Addiko Bank delivers a modern customer experience in line with its strategy. Banking products and services have been standardised in the Consumer and SME segments to improve efficiency, manage risks and maintain asset quality. This specialist approach is continuously fine-tuned to react to customer needs and the market environment.

Addiko Bank at a glance YE22, % of Group Assets (rounded)



2.1. Addiko Group's Strategy

In 2021, Addiko Bank launched a group-wide Transformation Program to become the leading specialist bank in the region. It aims at challenging universal banks via the best digital offerings and pure online banks via superb personal customer service, as well as at accelerating the group's transformation towards a pure specialist bank.

The Transformation Program rests on three pillars: First, on boosting growth in the focus areas by new Consumer and SME initiatives, the expansion of digital and hybrid offerings and the acceleration of the loan book transformation towards the defined focus segments. Second, on aligning the group's organisational structure and cost base with its specialist strategy by reducing costs and complexity on the one hand, leveraging digital capabilities. Third, on tackling specific topics proactively which includes an ambitious reduction of non-performing exposures ("NPEs"), as well as the exploration of structural opportunities.

The following primary strengths are the main drivers enabling Addiko Bank to successfully pursue its strategy:

- Well positioned region for convergence of underpenetrated banking sector**
 Addiko Bank operates in the last EU convergence region, in which financial intermediation is low and digital transformation is still nascent. In addition, the unsecured consumer lending market is growing faster in this region than in the EU. Addiko Bank believes its offering of enhanced digital capabilities will provide a solid basis for increasing its future business in the region.
- Well-established, pan-regional platform with potential for synergies and operational leverage for future competitiveness**
 Addiko Bank has a powerful combination of in-depth international expertise and local capabilities with CSEE presence, creating a regional team that provides a lean and efficient platform for pursuing its business strategy. Addiko Bank has an efficient operating model with key functions outsourced across the network of subsidiaries, which enables a reduction of costs due to the centralisation of services, economies of scale, agility and execution power, as well as talent attraction.
- Successfully transforming into a focused Consumer and SME specialist**
 Addiko Bank transformed from a universal bank into a specialist bank, focusing on highly profitable Consumer and SME business lending and providing simple, convenient and digitally empowered banking services. Addiko Bank offers fast, innovative and flexible products, in a market where convenience and speed are among the most important factors for customers decisions. Addiko Bank's specialisation in Consumer and SME lending is supported by prudent risk management of a solid, well-provisioned portfolio from past business, which it can utilise in the framework of an accelerated and managed run-down to finance its expansion into Consumer and SME Business.
- Unlocking opportunities in traditional markets with innovative digital solutions**
 Addiko Bank has placed the development of digital banking solutions at the core of its strategy. Addiko Bank has implemented technological solutions that have already been thoroughly proven in more developed markets but are viewed as innovative in CSEE markets. Addiko Bank believes that its focus on digital banking will help to gain market share in its focus areas, without having to expand its branch network.
- Solid balance sheet foundation enabling increases in profit**
 Addiko Bank has a solid and well-capitalised balance sheet that supports the expansion of its business. In relation to funding, risk parameters and capital base, Addiko Bank operates with strong parameters, which provide it with the financial ability to pursue its strategy.

To support Addiko's path towards becoming the leading specialist bank in Consumer and SME lending, Addiko initiated a major repositioning campaign in May 2022, with an adjustment of its vision and mission statement:



To make customers' life easier, to help them in unpredicted situations and to help them get things they want.

As experts in consumer and SME lending, we stand for speed and flexibility, and we promise to be there for you in all situations when you need that extra boost.

To complete this new brand image Addiko also introduced an interactive brand character - Oskar, who serves as Addiko's brand ambassador and main communicator. During the brand repositioning, Addiko successfully opened new sales channels and revised its products. Alongside with these marketing activities, also the digitalization and streamlining of processes contributed to booth growth in Addiko's focus areas and helped to lower operational expenses.

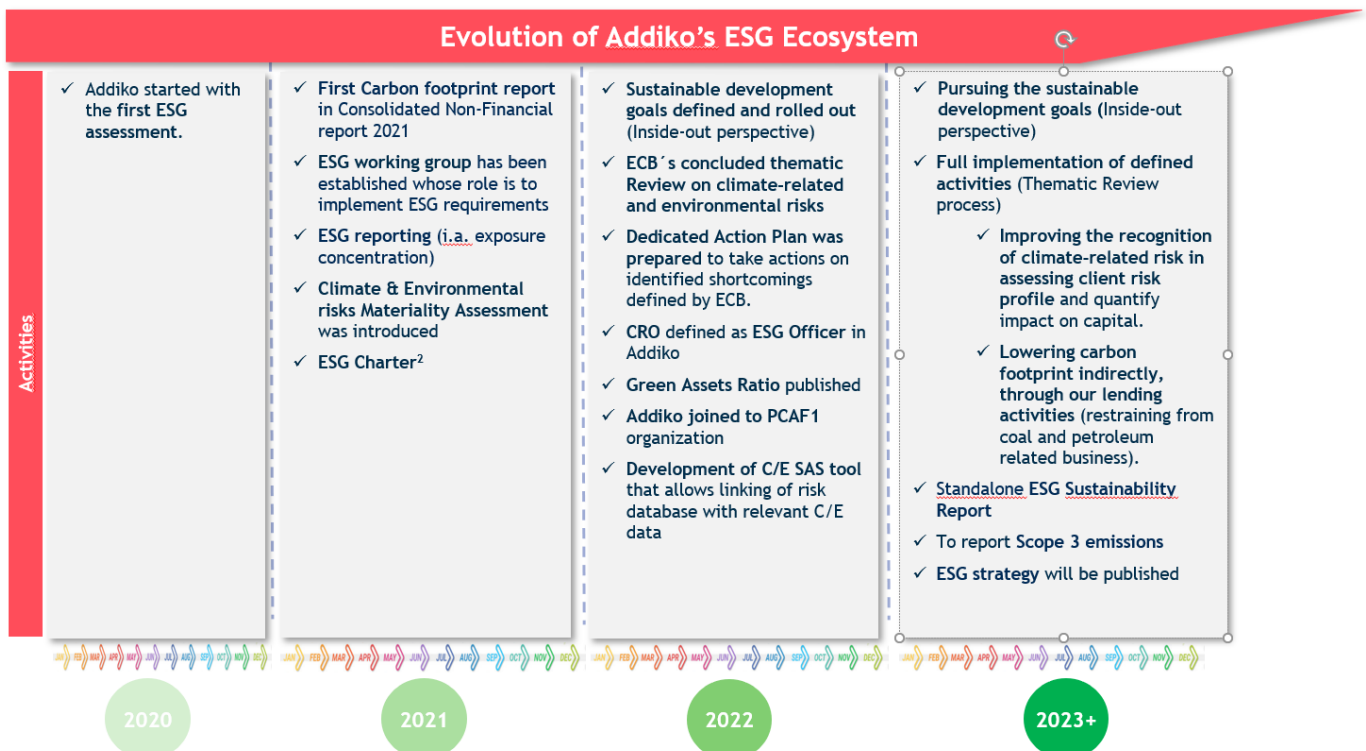
3. Addiko Bank's Path to Sustainability

Addiko Bank endorses the growing importance and relevance of environmental, social and governance ("ESG") issues, specifically that of climate change to its business and operating environment. Therefore, Addiko Bank started its path on sustainability in 2020, when it conducted for the first time a detailed ESG assessment. In 2021, a formal ESG working group was established, with representatives from risk, governance and compliance streams, with the aim to implement ESG reporting requirements and steer the process of sustainable development within Addiko Bank.

In the same year, the working group conducted an extensive climate & environmental ("C&E") materiality assessment involving experts from various departments, with the aim to analyse the potential impact of C&E risks on Addiko Bank's business model. As a result, the working group published an ESG charter, which defined the process to track and report ESG risk-related developments by the ESG working group.

Within 2022, a major milestone was achieved with the formalization of Addiko's ESG framework, which supports an organized, integrated and holistic approach to ESG and sustainability topics among Addiko Bank.

Addiko Bank's Path to Sustainability



Addiko's ESG framework rests on four strategic pillars:

- ESG Strategy,
- ESG Governance,
- ESG Risk Management and Compliance,
- ESG Assessment and Reporting.

ESG Framework of Addiko



3.1. ESG Strategy

As a major milestone within its path to sustainability, Addiko has formulated an ESG strategy, which was developed during the reporting period and approved by the Supervisory Board in January 2023. This ESG strategy is closely interconnected with Addiko Group's business and risk strategy, striving to provide an organized approach to ESG and sustainability. The ESG strategy provides support to incorporate ESG considerations into governance, loan origination, risk management, financing decisions and reporting among the entities of the group. Furthermore, it also determines which C&E risks may impact the business strategy and how to reflect these risks in the strategy implementation.

Within the ESG Strategy, Addiko also defines specific sustainable development goals. Based on the "Agenda 2030" adopted by the United Nations in September 2015, which outlines 17 international sustainable development goals, a panel of internal experts from various group departments developed a structured process to identify and assess, which social development goals are most material for Addiko's business strategy.

As a first step, the existing connections between the global applicable sustainable development goals and Addiko's areas of strategic focus were identified. Secondly, the ESG working group evaluated potential sustainable development goals according to the criteria, which seemed to be most crucial for Addiko's business strategy, namely

- importance (how important it is to contribute to this global goal),
- impact (the impact Addiko can make to meet the respective goal) and
- attractiveness (what potential this goal has for Addiko Bank).

According to these criteria, the following four sustainable development goals were selected, as being the most crucial for Addiko Bank's business operations, namely "Good Health and Well-Being" (3), "Gender Equality" (5), "Decent Work and Economic Growth" (8) and "Climate Action" (13).



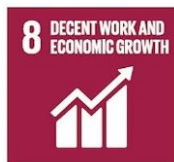
Good Health and Well-Being (3)

Addiko Group supports Good Health and Well-Being. Its employees are encouraged to live a healthy, active lifestyle. Employees in Addiko Group entities are encouraged to join local gyms as well as participate in business runs and local marathons. In addition, there are frequent in-office health checks and health-awareness guest speakers at Addiko Group.



Gender Equality (5)

Addiko Group has formalised a three-year Diversity & Inclusion target and action plan across all Addiko Group countries setting diversity targets for its Management and Supervisory Boards. All leadership training programmes have been revised to embrace Diversity & Inclusion.



Decent Work and Economic Growth (8)

As part of Addiko Group's efforts to create well-paid quality jobs and provide employment opportunities for young professionals, Addiko Bank Serbia as well as Addiko Bank Bosnia & Herzegovina (Sarajevo) signed collaboration agreements with the University of Belgrade and the University of Sarajevo respectively. The purpose is to encourage traineeships and cooperation. In addition, Addiko Bank Croatia and Addiko Bank Montenegro work closely with universities and student organisations across each respective country to enhance employment opportunities for young graduates. Addiko Group also plays an essential role in developing and further improving financial intermediation and digital transformation in its operating regions.



Climate Action (13)

Climate protection is an important element in Addiko Group's operational business. Addiko Group endeavours to contribute to better environmental awareness. Optimised business processes lead to a sustainable approach to continuously reduce CO₂ emissions, energy and usage of plastic.

Addiko acknowledges the importance to contribute to these sustainable development goals and therefore, the ESG working group together with the Management Board and the Supervisory Board, aligned on 15 initiatives, which strive to contribute to the achievement of these goals.

Addiko Bank's Sustainable Development Goals



3.2. ESG Governance

In addition, a strong corporate governance framework was established to ensure that strategic objectives are holistically promoted through the institution. Therefore, a dedicated ESG working group was established with the aim to integrate ESG in business lines and core processes of Addiko Group and regularly monitor Addiko's efforts in the management of ESG risks. The ESG working group is chaired by the Group's Chief Risk Officer, who has the ultimate responsibility over the ESG agenda.

The ESG working group reports its progress regularly to the Governance Risk Compliance Committee, which oversees the work of the ESG working group, reviews and steers the progress of sustainable development goals and ensures a structured discussion on ESG related topics with the Management Board and the Supervisory Board of Addiko Bank AG, to the later reports are performed on a bi-yearly basis, as anchored within the by-laws of Addiko Bank AG.

In addition, Addiko's Group Management Board, as well as the Management Boards of their local subsidiaries formalized their commitment to ESG risk and sustainable management within an ESG Charter, which was rolled out in all Addiko entities in the first quarter 2022 and supports the creation of a corporate culture on ESG topics. Thereby, Addiko ensures that sustainable conscious behaviour is promoted throughout the institution, not only with the publication of a formal ESG strategy, but also by using employee incentives and transforming Addiko's company culture through a consistent tone from the top.

3.3. ESG Risk Management and Compliance

Another important element of the ESG Framework is the integration of ESG into the risk management and compliance framework. From a risk management perspective, Addiko continues to identify ESG risk factors (primarily climate related and environmental risks), assessing their materiality and incorporating them into existing risk types, rather than into a single, standalone ESG risk type. In line with regulatory expectations, Addiko initially focuses on environmental aspects of the ESG risk agenda.

From a compliance perspective, the dynamic developments of regulatory reporting requirements and standards are duly tracked and incorporated, so it is ensured that all mandatory disclosure requirements regarding ESG are complied with. Currently, Addiko discloses non-financial information according to the Non-Financial Reporting Directive and complies with disclosure requirements for the Green Asset Ratio, as stipulated by the EU Taxonomy Regulation.

3.4. ESG Assessment and Reporting

Addiko also regularly assesses and reports on ESG risks that may impact the bank. Therefore, Addiko conducts an annual self-assessment on the exposure to ESG risks, which currently encompasses climate-related and environmental risks. The results thereof are used to define the key areas of action for Addiko. In addition, a group-wide project team, steered by the ESG working group, in order to prepare the implementation of new reporting standards and additional disclosure requirements, according to the European Sustainability Reporting Standards ("ESRS"), that will enter into force with the financial year 2024, for reports published in 2025.

4. Our Clients

4.1. Selling Practices & Product Labelling

Addiko's strategy is to offer modern banking, focusing on products for the essential needs of customers via unsecured loans, payments and cards, communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach consisting of physical branches, merchant partnerships and modern digital channels.

In 2022, Addiko introduced a new brand strategy on its path towards becoming the leading specialist bank in Consumer and SME lending. Oskar, the new animated character, and brand ambassador, acts as the central message carrier delivering the bank's new brand promise: Addiko stands for speed, innovation and flexibility whenever customers need an extra boost to achieve their goals in life.

This means that the bank strives to become better, faster and available to help its customers achieve their goals while, at the same time, ensuring that Addiko is seen as a responsible lender. Such efforts have been recognised by independent authorities and rewarded with customer service certificates, such as the "Customers' Friend Certificate" awarded by the International Certification Association ("ICERTIAS") to Addiko Bank Banja Luka and Addiko Bank Sarajevo. The "Best Buy 2022/2023" award was also granted to Addiko Bank Croatia. Addiko Bank representatives are also members of the national banking associations and, as such, are also closely involved in setting and implementing professional industry standards that are aligned with the highest ethical principles.

Addiko's dedication to being a responsible lender is particularly evident in its product design, as well as in its communication and advertisements, addressing product characteristics in a direct and transparent manner in complete alignment with sales and prudent risk management.

In product advertising, Addiko uses clear and direct messages along with representative examples to ensure full transparency and to provide customers with the information required for them to be able to make a conscious decision concerning their finances. Even more detailed information on products and services is always available on the respective websites of Addiko's banking entities in CSEE.

Customers recognised Addiko's marketing efforts. In terms of brand consideration, customers are willing to consider Addiko as a bank they want to do business with, which has displayed stable growth over the years and is one of the main indicators of customer perception. Together with the fact that Addiko's brand awareness is showing desirable growth in all markets, this also illustrates Addiko's positive image.

Addiko is pursuing a process-driven transformation with the clear vision to grow and extend its financial platform into a larger ecosystem, where customers find simple and fast lending solutions to whatever lifestyle needs, they have. Addiko's specialist bank strategy, purpose and brand promise were aligned towards this goal.

Addiko's brand repositioning has been introduced in all six markets in May 2022, through an omni-channel marketing campaign and amplified by media and PR activities. The new brand character, Oskar, replaces the previous triangle symbol since May 2022. Oskar is the message carrier for Addiko, both outside to potential and existing customers, as well as internally to the employees to reinforce focus on customer centricity. The brand character Oskar has a voice in every market in the respective local language and was visible across all media channels such as TV ads, outdoor billboards, social media, digital advertising and mobile in all Addiko's markets following the launch in 2022.

Oskar's message addresses existing customers speaking about how Addiko promises to deliver cash in a fast and uncomplicated manner whenever and wherever customers need an extra boost and will act as their champion. For new and potential customers, Oskar is inviting them to try Addiko.

4.2. Access and Affordability of Products

In order to ensure the broadest possible access to its products and services Addiko uses a hybrid distribution approach consisting of physical branches, modern digital channels and partnerships with merchants. Addiko Bank AG and Addiko's banking entities in CSEE are fully compliant with local laws and regulations in terms of enabling access to people with disabilities. Moreover, besides fulfilling the legal requirements, Addiko is steadily improving its branches' access conditions for disabled persons (e.g. via wheelchair ramps, etc.).

4.3. Consumer Business

In the segment Consumer the focus is on unsecured loans, credit cards, followed by payments and account packages. Addiko also puts significant efforts into continuously improving digital capabilities and is recognized in its markets as a digital challenger with digital products and services such as Webloans, mLoans and online account opening capabilities.

In 2022, Addiko started strategic partnerships with Buy-Now-Pay-Later ("BNPL") Fintechs and merchants financing the purchase of goods and services. The desired state of the future is to provide a solid 'plug & play' financing platform enabling our partners - from small merchants to big retail chains, to provide financing in a modern digital marketplace to their consumers and small businesses at every touch point. The aim is to create a new ecosystem making financing accessible and provide that extra boost whenever and wherever they need financing.

In addition, the distribution channel Bank@Work continued to be an important pillar of Addiko's business strategy, delivering on the convenience promise Addiko makes to its customers through its proactive approach. With respect to daily banking, Addiko aims to differentiate itself from the competition through superior online and mobile banking services, innovative banking channels, and innovative ways of helping customers manage their daily financial needs, for instance by giving them the ability to use various types of payment methods.

Particular focus is put on selling standardised products (unsecured loans, credit cards and account packages) via physical and digital channels, in line with specific restrictions/limitations in the individual markets. Products are accessible digitally, in simple and easy understandable way, allowing simulations where appropriate, end-to-end sales where legally possible, and lead generation.

A state-of-the-art loan application processing system combined with a modern credit decision engine, which had already been rolled out in all Addiko's entities. Content delivery through social media, support of regular digital communication, the implementation of features and branch designs compatible with the digital age - all these features contribute to the strengthening of the digital dimension of Addiko's brand, customers' accessibility and convenience.

Addiko Bank Croatia has successfully delivered the Euro implementation project being a front runner among the local banks: all the necessary steps in the process of moving from the old national currency Kuna to the Euro have been concluded ahead of time, which ensured that clients had access to ATMs immediately after midnight on January 1 2023 with e-banking, m-banking and all other banking services fully operational after 10pm on the same day.

4.4. SME Business

In the SME segment, the focus is on shorter term unsecured financing, followed by transaction banking and trade finance products. The focus continues to be on offering a compelling value proposition for digitally enabled loan products and online self-services capabilities that further reduce the cost-to-serve Addiko's customers. In 2022, Addiko has further increased the focus on untapped niches within the SME segment, serving micro and small enterprises in need of financing.

Moreover, Addiko improved its Digital Lending System ("DLS"), an automated lending application for SME clients with a new risk decision engine, enabling more flexible adoption of risk criteria and refactoring of modules for a more stable decision process. A group-wide initiative to further optimize the end-to-end process and improve 'Time-to-yes' ("TTY") and 'Time-to-cash' ("TTC") has been analysed and the defined measures will be implemented from the first quarter 2023 onwards.

A digital KYC-client onboarding process has been introduced in Slovenia in the fourth quarter 2022 and will be rolled-out after further optimization to other countries in the region. Furthermore, an automated process for regular KYC-review has been introduced during 2022 in Croatia and will be also rolled-out subsequently to other countries of operation. For a better steering of the business, a new tracking tool has been piloted in three countries for more efficient and effective tracking of sales leads. The new M-banking app for SMEs has been introduced in Croatia in the third quarter 2022, focusing heavily on convenience and user experience and will be rolled-out to Bosnia & Herzegovina in the first half 2023 and in all remaining CSEE countries where Addiko is present till year end 2023.

5. Our People and Principles

5.1. Addiko's Role in Society

Addiko takes its responsibility towards society and its stakeholders seriously. It is actively engaged in Corporate Social Responsibility (CSR), constantly trying to make a contribution across its region of operation by supporting charity projects and initiatives by means of corporate volunteering and donations. Many of these activities are part of the 'Addiko Cares' initiative and are reflected in Addiko's corporate value system. In other words, this is Addiko's way of giving back to the communities in which it lives, works and operates. In recent years, hundreds of employees have participated in CSR projects, dedicating their time and efforts to a good cause.

Just to mention a few of the projects, 'Addiko Cares' supports the Career Center "Young and Strong" implemented by the Foundation SOS Children's Village in Serbia, supporting economically vulnerable groups in Belgrade. With the military invasion of the Ukraine by Russia in February 2022, Addiko employees across the group once more lived up to corporate values and showed that 'Addiko Cares'. Under the slogan #Addiko stands with Ukraine, a total of EUR 62,500 was raised by different initiatives through all entities of Addiko Group and donated to charity organisations. In addition, as a very fast and straightforward way to help cater for the needs of displaced people, such as collection boxes were made available in the headquarters to collect in-kind donations and thereby, support families and all those affected by the war in Ukraine.

5.2. Addiko's People Strategy

Addiko believes that employee success is focused on accountability, collaboration and execution. As the business develops, the fundamental principles of Addiko's identity remain unchanged - integrity and performance delivery. The consistent focus on transformation is an organizational strength through which its employees demonstrate high organizational agility. This explains the cohesive, collaborative business teams who continually innovate and adapt. With this in mind, and with the help of the new Brand character Oskar, Addiko revised its corporate values and leadership competencies in 2022, underlining the focus on customers, digital and leading by example.

Addiko is proud of its "Non-Conventional Bankers" culture code, that has been defined and created by its employees. The role of the Human Resources ("HR") team is to support people and processes, working closely with the business to deliver the Addiko's unique strategy with its employees.

In 2022, the HR teams continued to work closely with the business to engage and re-connect employees in the workplace following the Covid-19 related changes. Selection, recruitment, training and development as well as rewarding performance management were key areas of focus. All Addiko entities put measures in place to support employees given the double-digit high inflation rates and increases in the cost of living.

The 2022-2024 Group Diversity & Inclusion ("D&I") Strategic Action Targets and D&I Action Plan were implemented across all Addiko entities, which shall be rolled out until the year end 2024, focused on promoting diversity and inclusion across Addiko Group.

The plan consists of the following topics:

- Gender Balance Targets
- Recruitment and Selection
- Career Management
- Learning and Development
- Remuneration
- Benchmark and Implementation of Best Practices

30 activities and initiatives are to be implemented by year end 2024, ensuring that all HR processes support high standards of D&I. In 2022, over 50% of the D&I Action Plan have already been completed.

The year 2022 also focused upon identifying internal female talents and bringing more women to board positions at the Management and Supervisory level across Addiko Group. As a results, two internal female talents were promoted to the Management Boards in Addiko Bank Montenegro and Addiko Bank Croatia. Additionally, four new female Supervisory Board members were introduced to the Supervisory Boards of Addiko Bank Slovenia, Croatia, Montenegro and Serbia.

Addiko has consistently and systematically strengthened talent management and succession, proven through its internal talent pool. Annually, leadership development and talent discussions continue to identify successors and future talents. This is best seen through the internal fill rate for managerial positions at almost 80%. Addiko also continues to support a 'learning culture' demonstrated through Addiko's mentoring program, which continues to offer talents a trusted senior mentor to support their professional development.

In 2022, Addiko Bank Sarajevo together with Deloitte continued with the 'Women's Mentoring Network', a community project started in 2021. The program invites women from across Bosnia & Herzegovina (BiH), interested in strengthening their leadership and managerial skills, to participate in a five-month program. The project is organized by Addiko Bank's Corporate Communications and HR teams, sponsored by the CEOs of Addiko Bank Sarajevo and Deloitte in BiH. It is important to mention that 'Mentoring' as a talent development tool started in Addiko Bank Sarajevo five years ago, having over 20% of their work force participating in the program in recent years. In 2021 and 2022, the Women's Mentoring Program sponsored by Addiko Bank Sarajevo, has engaged 50 female mentors from the business community in Bosnia & Herzegovina. It has trained over 100 women in the last two years of which 6% have been female employees from Addiko Bank Sarajevo.

5.2.1. Number of Employees

At year end 2022, a total of 2,619 (2021: 2,702) employees were employed at Addiko Group.

Most Addiko employees have full-time, permanent employment contracts.

Overview - Headcount, Type of Contract and Working Time YE22

YE22 (Gender, Type of contract, Working time)	Gender distribution			Type of contract		Working time	
	TOTAL	FEMALE Headcount	MALE Headcount	PERMANENT	TEMPORARY	FULL TIME	PART TIME
ADDIKO GROUP TOTAL	100% 2,619	70.9% 1,858	29.1% 761	93.1% 2,438	6.9% 181	97.7% 2,560	2.3% 59
Addiko Bank AG Vienna	125	51	74	116	9	109	16
Addiko Bank d.d. Zagreb	795	570	225	768	27	789	6
Addiko Bank d.d. Ljubljana	314	200	114	290	24	307	7
Addiko Bank d.d. Sarajevo	338	264	74	305	33	338	0
Addiko Bank a.d. Banja Luka	345	270	75	314	31	345	0
Addiko Bank a.d. Beograd	533	381	152	488	45	504	29
Addiko Bank AD Podgorica	169	122	47	157	12	168	1

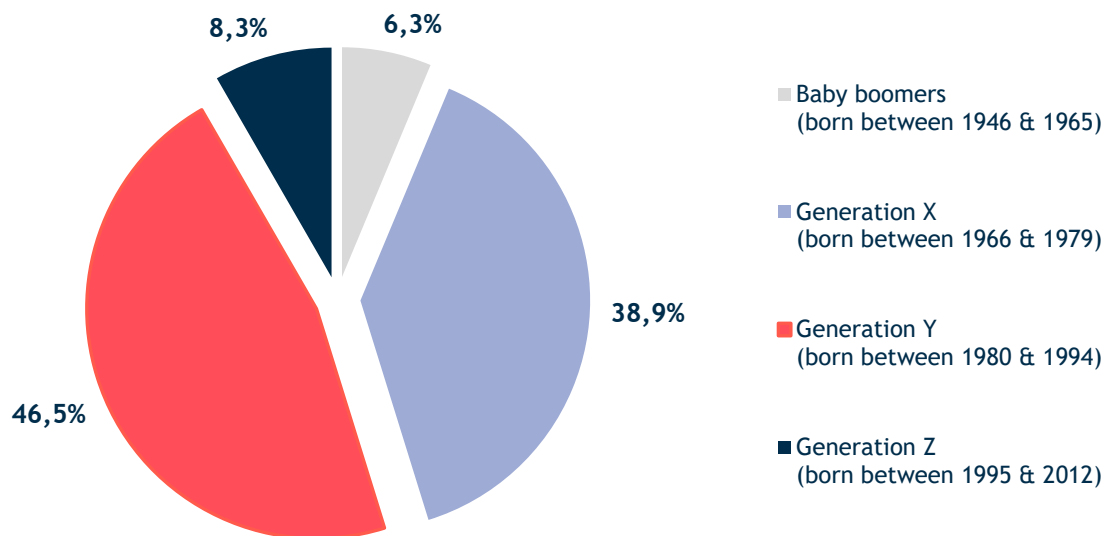
5.2.2. Age Structure and Seniority at Addiko Bank

The average overall age of Addiko Group's employees is 40.8 years (2021: 39.7 years) which means Addiko employees are slightly older than last year. The average age in 2022, after a decrease in 2021, moved closer to 2020 levels (2022: 40.8 2021: 39.7, 2020: 40.9). As expected, the number of "Generation Z" employees is continuously growing (+3.8% compared to 2021).

Overview - Age Structure as of YE22

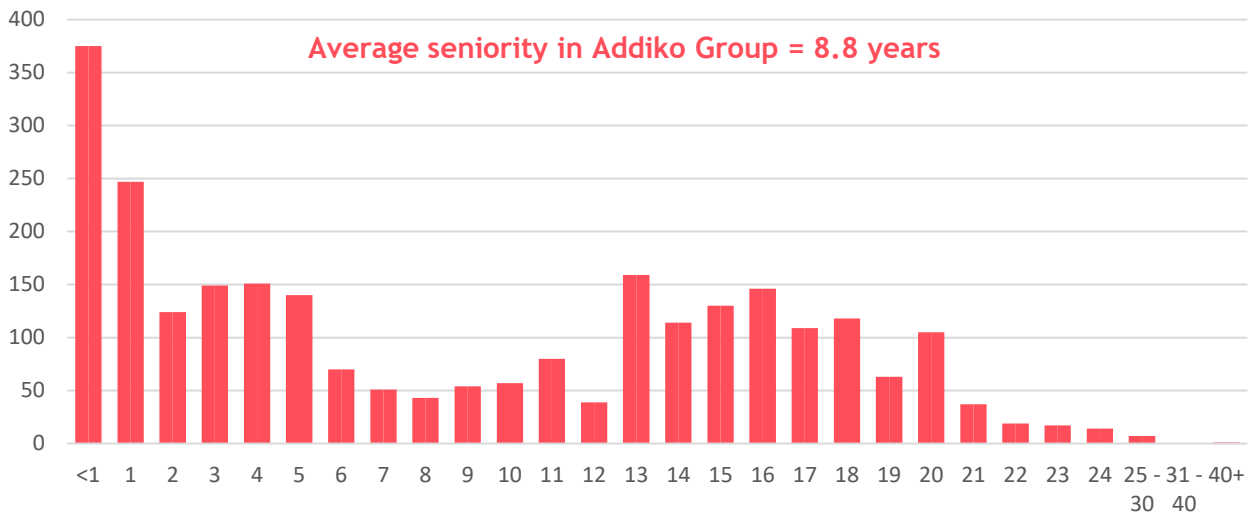
YE22 (Age distribution)	Average age	Age distribution				
		TOTAL	Baby boomers (born between 1946 & 1965)	Generation X (born between 1966 & 1979)	Generation Y (born between 1980 & 1994)	Generation Z (born between 1995 & 2012)
ADDIKO GROUP TOTAL	40.8	2,619	165	1,019	1,217	218
Addiko Bank AG Vienna	41.5	125	3	52	68	2
Addiko Bank d.d. Zagreb	41.4	795	43	342	341	69
Addiko Bank d.d. Ljubljana	41.0	314	12	124	159	19
Addiko Bank d.d. Sarajevo	39.2	338	19	111	176	32
Addiko Bank a.d. Banja Luka	42.0	345	41	133	141	30
Addiko Bank a.d. Beograd	40.5	533	42	204	234	53
Addiko Bank AD Podgorica	38.8	169	5	53	98	13

Overview - Age Distribution as of YE22



The average year of service at Addiko Bank is 8.8 years (2021: 9.0 years). More than 14% (2021: 11%) of employees have less than 1 year of service in Addiko and more than 40% (2021: 38%) have less than 5 years of service.

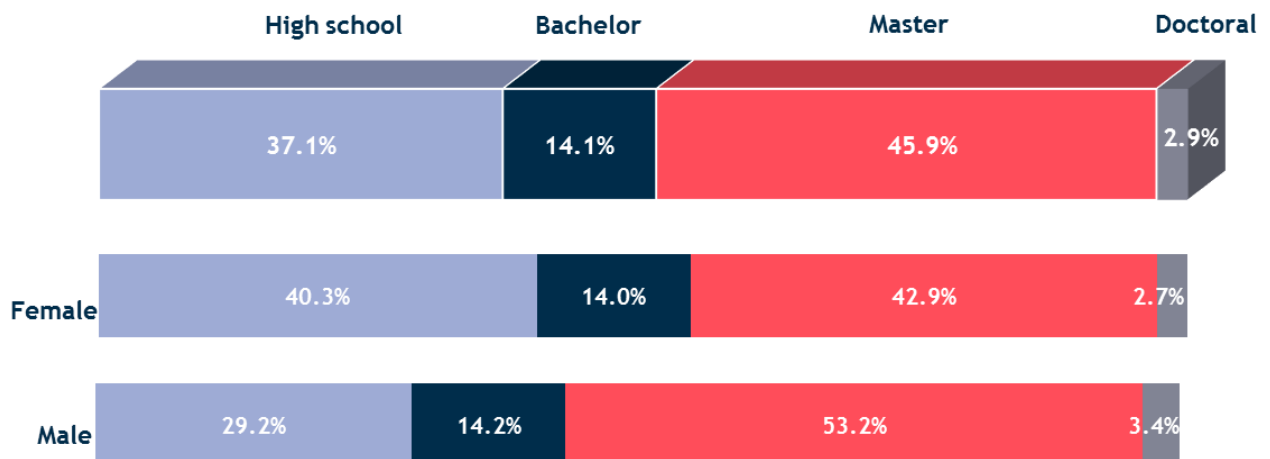
Overview - Number of Employees per Years of Service YE22



5.2.3. Educational Level

The education level across Addiko Group shows that 63% of employees are educated with a bachelor's degree or higher while 37% ended their academic career after high school (stable to last year). The statistics show differences in educational level, whereby approximately 60% of female employees and around 71% of male employees have academic degrees.

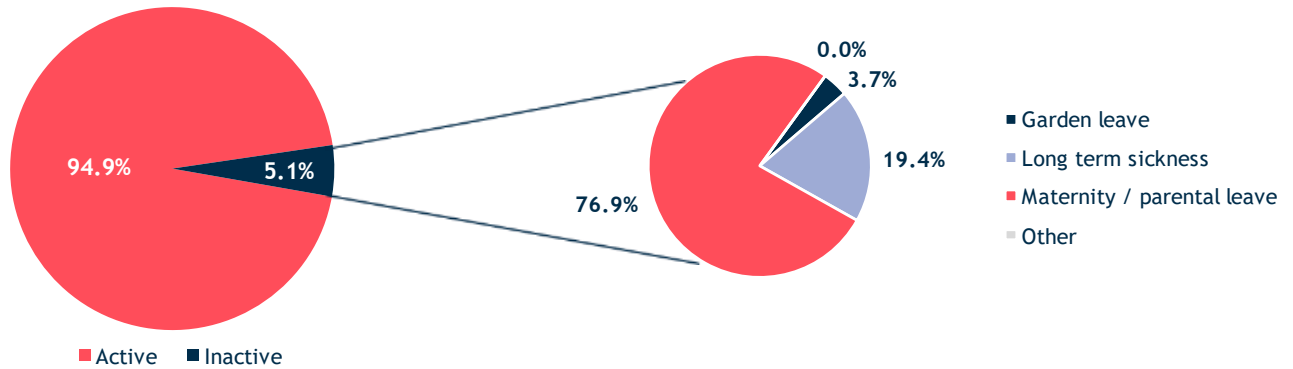
Overview - Formal Educational Level at YE22



5.2.4. Inactive employees

At year end 2022, the overall total percentage of inactive employees at Addiko Group was 4.9% (2021: 7.0%) of the total headcount, with maternity/paternity leave as the major reason. The lower percentage of inactive employees in 2022 is influenced mainly by the lower number of employees on garden leave compared to 2021.

Overview - Activity and Reason for Inactivity at YE22

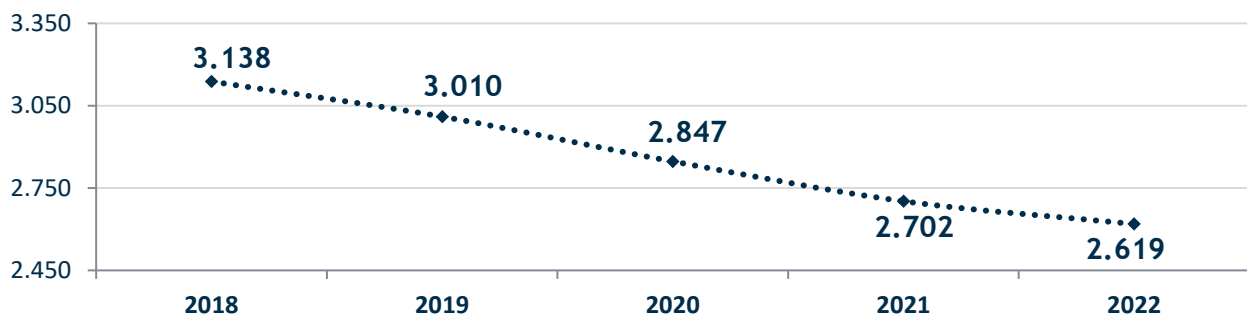


Of all employees across Addiko Group, 7.5% (2021: 7.6%) were on maternity/paternity leave, in total 196 employees (2021: 206) of whom 174 (2021: 191) were female and 22 (2021: 15) were male.

5.2.5. Headcount Development

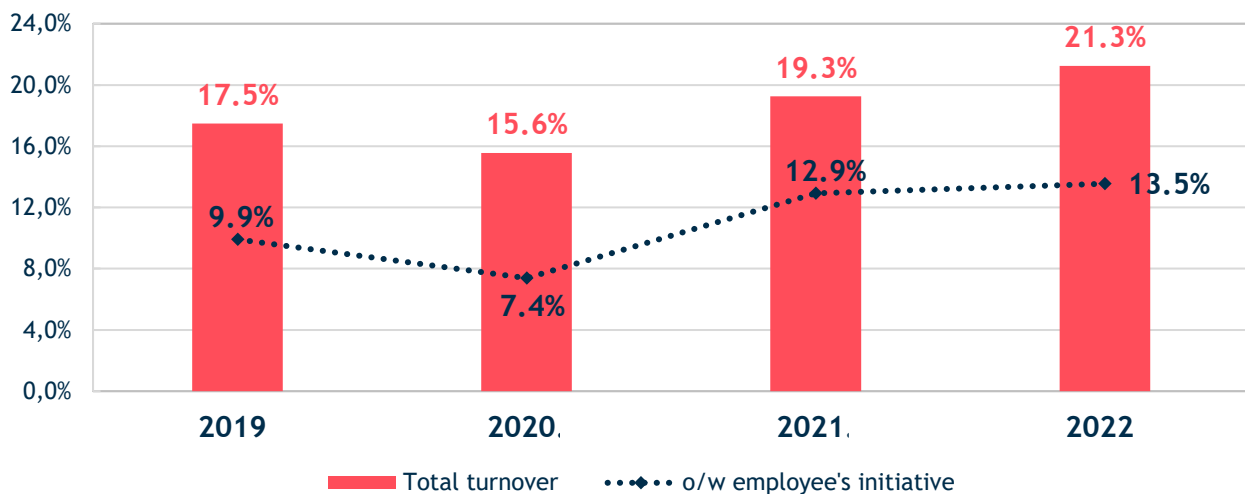
At year end 2022, 2,619 (2021: 2,702) employees were employed at Addiko Group, which amounts to 83 less compared to 2021.

Addiko Bank headcount development YE18 - YE22



In 2022, the turnover increased in comparison to the year 2021. This was made evident by measuring total employee turnover and turnover initiated by employees.

Turnover in 2019, 2020, 2021 and 2022



5.2.6. Employee Health and Safety

Health and safety of Addiko employees remained in focus during 2022. With the easing of Covid-19 measures, travel and meeting restrictions were lifted from March 2022 onwards. All branches continue to be equipped with physical distancing measures, including plexiglass screens and sanitary measures for staff and clients. Social distancing measures have been minimized but remain in place where needed. Employees and clients are not required to wear masks upon entering Addiko offices and branches.

Flexible working and Home Office have been implemented as an employee benefit across most Addiko Group. Many employee events were organized in 2022, fostering collaboration and to reunite employees. These included events such as Family Day, Addiko Run, Leadership Forums, Birthday celebrations, employee get together celebrations and small team events show Addiko's efforts to reconnect employees after 2 years of restrictive Covid-19 measures. Benefits (in kind) are provided to stimulate well-being and to support work-life balance. The benefits include flexible working time, study leave, parental leave, days off for specific life events (marriage, death, birth of child, moving) as well as days off on the first day of school for employees who have children. Although the benefits vary across the Group, Addiko is committed to actively support employees to identify and manage health risks. Health promotion activities including promoting healthy-active lifestyles, encouraging vacation usage and providing information about stress prevention, well-being and health promotion. On the topic of health and healthcare benefits, Addiko Bank AG provides employees with accident insurance and pays half of the premium for additional private health insurance. In most of Addiko Group's entities, the employer pays for additional private healthcare checks.

As shown in the sick leave overview for Addiko Group, the statistics indicate a stable total amount of sick leaves for the reporting year 2022. This is the direct result of the numerous measures implemented to protect employee health and safety.

Addiko Group sick leave overview 2019, 2020, 2021 and 2022

Sick leaves 2019, 2020, 2021 & 2022 (without Maternity / Paternity leaves)				
	2019	2020	2021	2022
TOTAL hours of Sick leaves	198,105	177,909	178,000	144,342
TOTAL Sick leaves % (vs. total working hours)	3.3%	3.2%	3.3%	2.9%
o/w FEMALE hours of Sick leaves	161,492	150,453	146,177	121,964
FEMALE Sick leaves % (vs. total working hours)	3.9%	3.9%	3.9%	3.5%
o/w MALE hours of Sick leaves	36,613	27,455	31,823	22,378
MALE Sick leaves % (vs. total working hours)	2.0%	1.6%	1.9%	1.5%

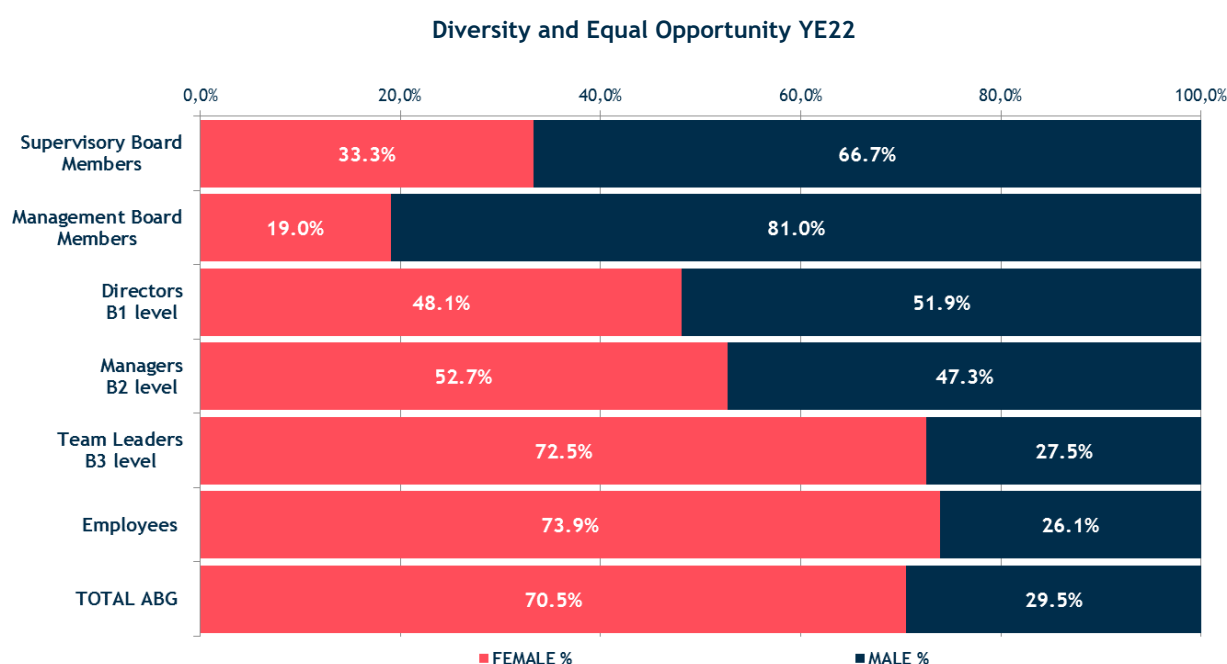
Out of 2.9% (2021: 3.3%) of absences due to sick leave in 2022, only 0.03% (2021: 0.05%) were related to workplace accidents. During 2022, two female employees went on sick leave due to an accident at work - one accident occurred on the journey to work and the other occurred at the workplace (2021: one female employee went on sick leave due to an accident at work, whereby the accident occurred on the journey to work).

5.2.7. Diversity and Equal Opportunities

Addiko is committed to establishing a diverse and inclusive workforce irrespective of gender, race, nationality, religion, national origin, ethnicity, LGBTQ+ sexual orientation, age, colour, marital status and parental status.

The principles of diversity and inclusion are embedded in Addiko's corporate culture and are demonstrated in the way in which selection, recruitment, development, financial equity, talent discussions and internal promotions are conducted. Addiko adopted a three-year D&I target and D&I Action Plan started in January 2022 and planned for completion by year end 2024. The focus is the continuation of building the female talent pool. Workplace benefits, policies, processes and practices are under revision and are continually being improved to ensure a culture of diversity and inclusion.

In 2022, no incidents of discrimination were reported nor was such incident identified.



Until the Annual General Meeting of in the year 2022, the number of women in the Supervisory Board of Addiko Bank AG was 33.3% after the changes within the Supervisory Board it was 20% until year end 2022 (2021: 25%). Looking across the wider Supervisory Board structure across the Group, one female entered into each Supervisory Board of Addiko Bank Montenegro, Serbia, Croatia and Slovenia. All Supervisory Boards of the group have at least one female representative, and four out of seven of the banks in Addiko Group have women in the respective Management Boards. The female talent pool continues to be an area of specific focus. In 2022, two female board members joined the Management Boards in Addiko Bank Montenegro and Addiko Bank Croatia.

The talent initiatives launched in 2021 continued throughout the year 2022, thereby transitioning talent initiatives into formal processes and policies. Top employer recognition awards and certificates continued to be a mechanism for validating the continuing improvement of HR processes through external annual audits. Addiko Bank Serbia, Addiko Bank Sarajevo, and Addiko Bank Croatia each received the "Employer Partner Certificate", thus showing a high level of commitment to the development of the best HR practices by "Selectio". Addiko Bank Slovenia has sustained its "family friendly" company status and Addiko Bank Serbia as well as Addiko Bank Croatia have sustained their "Mamforce" Certification. Such external audits of people management processes and practices are a recognition of the ongoing and continuous improvement and a benchmark to industry best practices.

5.2.8. Recruitment

The selection and recruitment of employees is based on clearly defined business needs. Addiko creates an environment that enables the employment of candidates with different backgrounds, experiences and perspectives in order to achieve the best results without limitations.

For key functions, an assessment of the applicant's ability and suitability (fit & proper) is also carried out in line with EU and local regulatory guidelines. Priority is given to internal placements and promotions. The focus is on identifying talent. The internal fill rate for managerial roles remained at almost 80% , similar to the year 2021.

5.2.9. Learning and Personal Growth

There are many on-the-job, in-class and digital learning and development opportunities available to Addiko's employees over the course of their careers. Addiko Group encourages employees to apply for jobs internally and supports cross-departmental transfers. Participation in transformation and group projects also enhances career experiences.

Addiko believes in:

- life-long learning and a 'can do'-attitude
- the 10-20-70 development rule which means 10% in class training, 20% mentoring and feedback, and 70% on the job development
- every employee taking ownership and proactively managing their career

Virtual learning zones are created for employees to encourage micro learning. Addiko's intranet is one of the main sources of leadership development materials. Interactive business lectures are also organised in the form of master classes with guest speakers. Individual development is especially emphasised for those in key roles, as well as for other identified staff.

The Addiko Academy offers leadership, banking, risk management, sales and compliance training opportunities. Addiko's focus is to ensure effective leadership skills, regulatory compliance, strengthened competencies for serving customers, the establishment of analytics and data competencies, and to highlight the prudent risk approach through eLearning, as well as other internal and external training opportunities. The average number of training days per employee of 3.5 days shows an ongoing focus on employee development. New board members are provided with extensive internal and external onboarding support, to help them integrate into the culture and ways of working at Addiko. Along with senior managers, all members of Addiko's Management Boards are taken through a 360° feedback process in their professional development. In addition, coaching and mentoring opportunities are consistently offered, ensuring effective employee competencies and capabilities.

5.2.10. Performance Culture

Addiko promotes a performance and feedback culture. Managers are annually trained to provide constructive feedback related to business performance and professional growth. The annual performance cycle from January through March of each year provides a systematic platform for performance evaluation and target setting for the year to come. The performance management system at Addiko is recognised as a key process for all employees. Over 97% of employees had their targets defined, comprising almost the entire active workforce of Addiko Group. The ongoing strategic and digital transformation links performance management and rewards by balancing quantitative and qualitative aspects. Sales incentive schemes consist of both sales-driven key performance and risk indicators as well as team-driven indicators, customer satisfaction indicators, thereby balancing the drive for business targets with purpose-driven and collaborative behaviours that reflect the corporate culture.

5.2.11. Remuneration

The remuneration strategy rewards performance and contribution in an appropriate mix of fixed and variable remuneration. This is market-based, preventing Addiko from taking excessive risk while rewarding sustainability and long-term results. The remuneration policy is governed by the provisions of the applicable legislation, guidelines of the European Banking Authority (EBA), the decisions defined by each local national bank and EU directives on capital requirements. These regulations set out criteria and conditions for the payment of variable compensation to managerial staff and employees. The key functions that can significantly affect Addiko's risk profile within their duties, tasks and activities include members of the Management Board and directors of individual departments, including risk

management, compliance and internal audit. Addiko's variable compensation is awarded according to a variable pay framework and is closely linked to target-oriented management. By paying variable compensation, outstanding individual performance is recognised, as well as operational team performance.

The EBA published its revised guidelines on internal governance in which it is prescribed that all institutions are obliged to monitor the development of the gender pay gap. In addition, EBA published formal "Guidelines on the remuneration, gender pay gap and approved higher ratio benchmarking exercises" under the Capital Requirements Directive 2013/36/EU in which, amongst other things, they specified a way of reporting the gender pay gap. A data analysis for all Addiko Group employees, carried out in accordance with the methodology defined by aforementioned regulatory framework prescribed by EBA, shows that no structural deficiencies and / or discriminatory practices can be determined with regard to the remuneration in Addiko Group, meaning that there are no significant deviations between comparable positions.

Within the calculation, all positions belonging to the same pay grade in Addiko's job structure were taken into account as comparable positions. The Addiko job structure consists of 13 job grades, with two different career paths defined (managerial and non-managerial positions.)

The results of the analysis are represented as a ratio of the median remuneration of women and the median remuneration of men, expressed as a percentage.

Gender Pay Gap - Analysis YE22	
Addiko Group	Pay gap (Median)
OFFICERS level 1	94.16%
OFFICERS level 2	96.16%
OFFICERS level 3 & TEAM LEADERS level 1	104.68%
SPECIALISTS level 1 & TEAM LEADERS level 2	94.08%
SPECIALISTS level 2 & TEAM LEADERS level 3	100.80%
SPECIALISTS level 3 & MANAGERS level 1	94.23%
EXPERTS level 1 & MANAGERS level 2	102.88%
EXPERTS level 2 & DIRECTORS level 1	105.23%
ADVISORS level 1 & DIRECTORS level 2	97.34%
ADVISORS level 2 & DIRECTORS level 3	98.91%
MANAGING DIRECTORS level 1	95.20%
MANAGING DIRECTORS level 2	109.94%
MANAGING DIRECTORS level 3	100.00%

LEGEND
NON-MANAGERIAL POSITIONS
MANAGERIAL POSITIONS

A ratio over 100% means that the median remuneration of women is higher than the median remuneration of men
A ratio below 100% means that the median remuneration of women is lower than the median remuneration of men

5.2.12. Employer Brand Awards

Addiko continuously works on its reputation, aiming to be recognised as an attractive employer in each country it operates in. Known as the 'the bank for unconventional bankers' in Slovenia, Addiko sustained its status as family-friendly employer, while Addiko's banks in Sarajevo, Montenegro, Croatia and Serbia retained their previously recognised status as companies with high standards of human resource management, positioned amongst the top employers in their respective countries supported by the 'Employer Partner Certificate' issued by SELECTIO Group.

Addiko Banks in Serbia and Croatia also sustained the "Mamforce" certification, confirming their commitment being a workplace promoting diversity, equity and inclusion.

5.3. Group-wide Compliance

5.3.1. Code of Business Conduct & Ethics

Addiko demands from its employees a particular responsibility in complying with legal, regulatory and internal requirements, as well as with the ethical principles described in Addiko's Code of Business Conduct & Ethics.

The Code of Business Conduct & Ethics is Addiko's shared commitment to operating with the highest level of integrity and ethical conduct, which is a mandatory regulatory framework applicable in the Addiko Group for all employees, third-party service providers and business partners.

It outlines Addiko's ethical principles and provides general guidelines on how employees should behave, as well as specific guidance for employee interactions with customers, competitors, business partners, governmental authorities, shareholders as well as with each other.

As compliance is an integral part of the organisational culture, the compliance function is decentralised at Addiko. Functional managers have organisational and supervisory tasks, to ensure that violations of applicable principles and laws governing the financial industry, which could have been prevented by adequate measures, control and monitoring, do not occur.

The main Addiko Bank norms are:

- treat others with dignity & respect
- act ethically & lawfully
- conduct business fairly, openly & responsibly

5.3.2. Human Rights

Addiko respects the protection of internationally proclaimed human rights. Addiko is committed to upholding the fundamental human rights of its employees, and expects vendors, partners and others who provide services on behalf of Addiko to adhere to the same high standards.

Addiko is committed to a workplace that is free from sexual, racial and other unlawful harassment, and from threats or acts of violence or physical intimidation. Abusive, harassing or other offensive conduct is unacceptable, whether verbal, physical or visual.

Addiko's values and workplace behaviours are built on trust, respect and integrity. Addiko is an equal opportunity employer and bases its recruitment, employment, development and promotion decisions solely on a person's ability and potential in relation to the needs of the job.

5.3.3. Anti-Corruption, Anti-Bribery

Addiko has a zero-tolerance approach when it comes to bribery and corruption. Addiko expects that all employees at every level of the organisation follow the group's standards and policies.

All forms of bribery and corruption, including giving or promising, directly or indirectly, anything of value to any employee or government official (including state-owned companies) or a political party, candidate for office, or to any person performing public duties or state functions in order to obtain or retain business or to secure an improper advantage with respect to any aspect of Addiko Bank's business, are strictly prohibited. Gifts and invitations must always be proportionate and must not create a conflict of interest or the perception thereof. Addiko expects the same from clients, business partners and third parties. Bribery and corruption are not accepted in any form. It is strictly forbidden to request, take or offer any form of under-the-table payment, kickback, bribe, barter or other improper payment or gratuity in connection with any corporate expenditure or sale of goods or services.

In alignment with international guidelines and Addiko's strategy, it is illicit for all Addiko Group entities and colleagues working for or on behalf of Addiko to provide, compensate, give, promise or authorise the payment of any money or of anything of value, directly or indirectly, to any foreign government official or employee, foreign political party or candidate thereof for the purpose of obtaining or retaining business or to secure an improper advantage (direct and indirect). Addiko requires that all third-party agreements include a provision to comply with applicable anti-corruption laws.

In 2022, Addiko Bank did not discover or record any incident of corruption.

5.3.4. Whistleblowing

Addiko is committed to supporting a culture in which all employees are encouraged to raise concerns about unacceptable practices and misconduct, and has therefore implemented a whistleblowing process - as an early warning system - that enables employees to raise concerns about potential risks related to serious wrongdoing (including unethical, illegal, corrupt or other inappropriate conduct) via various channels such as e-mail, post, intranet, internet, etc.

"Whistleblowers" will not suffer any disadvantage as a consequence of their whistleblowing undertakings. Addiko strictly forbids retaliation against anyone who reports a possible infringement in good faith, no matter who is included in their report.

Reports are always handled in a strictly confidential manner, analysed thoroughly, and managed with due care.

5.3.5. Transparency

Addiko's business model is to communicate in an impartial, clear, open, transparent and non-deceptive way that contributes essential, adequate and timely information for its clients and other stakeholders.

Hence, Addiko is committed to complete, unbiased, accurate, timely and reasonable disclosure in public reports and documents that each entity of Addiko Group presents or provides to the regulatory authorities, employees, clients, business partners, stakeholders and the public altogether.

5.3.6. Conflict of Interest

In line with the Addiko Group Code of Business Conduct & Ethics, Compliance and Conflict of Interest Policy, respective guidelines and applicable legal stipulations, Addiko is able to identify potential or actual conflicts of interest and manage them appropriately.

Addiko's employees are expected to manage their relationships with each other, within Addiko Group and outside of Addiko Group with impartiality and honesty to commit to the highest level of integrity.

Employees must not use their positions for personal advantage. As a rule, all employees must keep away from and disclose ethical, legal, financial, or other conflicts of interest involving Addiko and/or its clients and/or third parties and exclude themselves from a position of decision-making authority with respect to any conflict situation involving Addiko. Special rules have been defined within the respective rules of procedure for the members of the Management Board and the Supervisory Board.

5.3.7. Compliance Management

Addiko aims to utilise its compliance management system in order to:

- foster and reinforce conduct per compliance requirements
- minimise and eliminate compliance violations
- identify risks for potential violations
- implement preventive measures
- uncover, remedy and proactively eliminate any occurrence of any compliance violations committed by individuals acting without authorisation and in breach of clear rules, and
- achieve continuous improvement of its compliance management system

The Head of Compliance oversees compliance activities and reports directly to the Management and Supervisory Boards in this capacity. The central compliance department coordinates compliance activities throughout the Group. A local Compliance Officer has also been appointed for each country where Addiko is present. This person serves as a local point of contact for employees, in all questions regarding legally and ethically correct conduct in business situations.

5.3.8. Training

Addiko systematically conducts training courses on compliance, anti-money laundering, data protection, information security, data protection and fraud, etc. Once the areas of emphasis have been specified, specialists define which trainings apply to all employees or target groups for each course content category and determine, which employees require which type of training.

Addiko expressly encourages its employees to openly address any doubts about proper conduct in business situations, to solicit advice and inform all employees about, who they can contact, if they have any doubts or questions.

5.3.9. Customer Privacy

Data protection is a topic of increasing social significance, particularly since the General Data Protection Regulation ("GDPR") entered into force on 25 May 2018. GDPR strengthened the rights of data subjects, imposed new requirements on data controllers and data processors when managing and handling personal data, and increased expectations of clients, employees and regulators.

As Addiko's business involves the processing of personal data, protecting such data is of utmost importance.

Within Addiko Group, a data protection implementation project was performed, and operational activities are continuously monitored, to ensure alignment of data processing activities with the GDPR requirements and to amend existing vendor contracts to take GDPR requirements into account.

Addiko has established a data protection compliance management system, which, inter alia, sets forth policies and processes as well as technical and organisational measures. This group-wide data protection compliance framework also applies to the Addiko Group's entities established in non-EU countries, which must comply with GDPR standards unless mandatory local data protection and privacy laws require otherwise. All Addiko entities run individual data processing inventories and have implemented standard processes for dealing with requests, when data subjects exercise their rights (e.g. access, erasure, objection).

Education and training about data protection requirements play a key role in ensuring effective data protection within Addiko Group. All employees are regularly trained on the implications of data protection via an online tool (eLearning programme) in relation to data protection compliance. In addition, data protection impact assessments are carried out for the most critical systems. Addiko uses multi-party data protection agreements (in line with the requirements set out in Art 28 GDPR) when a vendor or a third party provides a service to at least two affiliates of Addiko. Therefore, compliance with data protection requirements is ensured and oversight enabled.

Each entity of Addiko Group has appointed a Data Protection Officer (DPO) within a specialised, independent role, who reports directly to the respective Management Board. In addition, a Group DPO coordinates data protection tasks in relation to the entire Addiko Group. This ensures proper direct and indirect reporting lines as well as regular exchange on data protection topics within the entire Addiko Group.

5.3.10. Information Security

Addiko has established an information security framework that adequately protects information assets and associated technologies, applications, systems, and processes in the digital ecosystem Addiko operates in. Addiko applies high standards in its IT infrastructure and has developed and implemented comprehensive information security management. Furthermore, to underpin the importance of information security, Addiko has information security policies, standards and manuals in place alongside its annual training of employees on this topic.

Moreover, Addiko has introduced countermeasures to guarantee the protection of data from a technical perspective. Addiko performs vulnerability scans on a monthly basis and penetration tests on both an annual and ad-hoc basis. Staff's security awareness is kept at the highest levels, through emails and intranet training. Finally weekly meetings with its major IT partners are held to remain informed of any possible problems or security breaches.

5.4. Environmental Indicators & Taxonomy

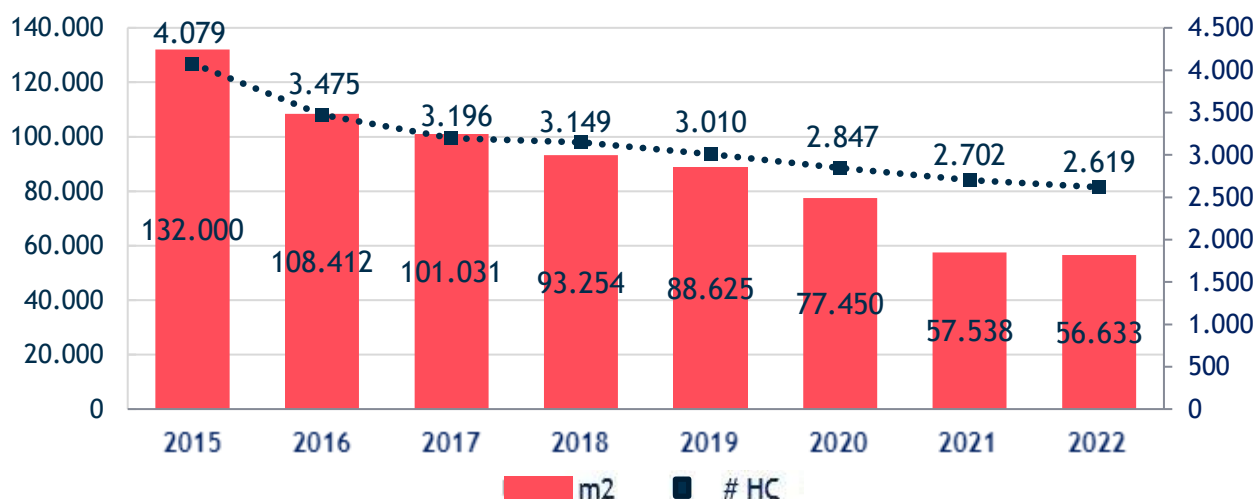
5.4.1. Environmental Matters

Protection of the environment is an important part of Addiko's ESG Strategy and Addiko recognises its responsibility to address environmental matters and is committed to reducing its own consumption of natural resources, mainly in terms of electricity and heating as well as fuel and paper. In 2022, there were no cases of non-compliance with environmental regulations.

5.4.2. Space Optimisation

One of Addiko's long-term measures is a group-wide space optimisation initiative, aiming to reduce the space used for Addiko's business. Addiko follows an open-plan concept in all head offices in the CSEE region, as well as in back offices. Furthermore, due to Addiko's switch to modern sales concepts, such as the Addiko Bank Express Branch and the Addiko Bank Virtual Branch Offices, the physical distribution network space is being continuously reduced. These efforts have resulted in a 44% reduction in office space over the past 6 years, with a further positive outlook for 2023. Such an approach is effective in terms of the usage of heating and cooling systems and shows positive ecological effects resulting from less consumption of electricity and water. Due to the home-office introduction caused by Covid-19 pandemic, this positive development was enhanced even further. At the Addiko headquarters in the countries of operation, home office days remain offered for most of the employees. As a result, office space in total decreased by 2% from 57,538 m² to 56,633 m² during 2022, downsizing the headquarters in Addiko Bank Croatia and Addiko Bank AG in Austria. Further reduction is planned during 2023.

Overview Space Optimisation Development 2015-2022



5.4.3. Energy Saving

Addiko continues to promote the reduction of energy consumption also by applying energy efficient solutions in case of renovations and new investments. Installing light-emitting diode (LED) lighting as an energy saving solution is standard for Addiko Group. In the procurement of electricity, Addiko places an increasing emphasis upon purchasing renewable energy.

Since Addiko has launched an initiative to save energy and natural resources, the awareness of the importance of rational use and saving of resources is at a high level in all entities. Work from home and travel limitations caused by Covid-19 in the last years are reflected in the numbers presented in the charts below (declining trend valid for Holding as well with 0,9% of total network electricity consumption in 2022 and 3,8% of total network fuel consumption in 2022).

Electricity consumption development 2019-2022 in kWh

in kWh

	Serbia	Slovenia	Montenegro	Croatia	Sarajevo	Banja Luka	Network
YE22	1,673,125	1,246,700	462,061	3,102,032	1,875,207	1,725,355	10,084,480
YE21	1,804,389	1,247,000	473,137	3,316,600	1,996,746	1,958,210	10,796,082
YE20	1,882,841	1,163,256	472,369	4,086,630	2,224,195	1,275,475	11,104,766
YE19	2,189,360	1,230,660	511,290	4,799,147	2,798,407	1,477,480	13,006,344

Fuel consumption development 2019-2022 in liter

in lit

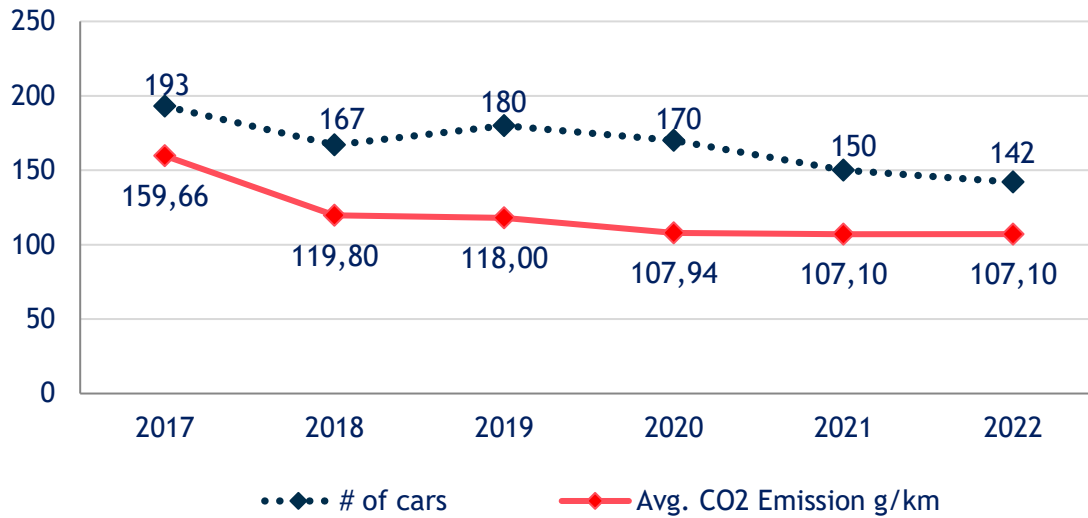
	Serbia	Slovenia	Montenegro	Croatia	Sarajevo	Banja Luka	Network
YE22	34,220	22,200	4,640	58,287	29,694	23,611	172,652
YE21	35,290	19,802	5,942	67,900	33,039	23,810	185,783
YE20	26,806	21,000	2,941	59,150	23,700	20,847	154,444
YE19	39,675	48,000	5,224	102,493	41,561	40,634	277,587

5.4.4. Reduction of CO₂ emissions

The renewal of Addiko's carpool to a newer generation of vehicles including electric cars supports Addiko's efforts to reduce CO₂ emissions. In 2022 the fleet included 142 vehicles, which is the lowest value historically (2017: 193 # of cars, 2022: 142 # of cars). CO₂ emissions have declined over the last years , with 2022 remaining stable to 2021, by a total of 33% since 2017 to a weighted average CO₂ emission of 107.1 g/km in 2021 & 2022, as shown in the table below.

Conscious fuel consumption is promoted throughout Addiko Group. Nevertheless, a reduction of CO₂ emissions could be further driven by the replacement of fossil fuel-powered company cars with hybrid or electric cars which is supported with the latest car policy introduced in the fourth quarter 2022.

Car Fleet & Co2 Emissions Development 2017-2022



5.4.5. Travel Management

The best way to reduce CO₂ emissions on business trips is to generally avoid business trips or keep them limited. Addiko has therefore implemented a modern video conferencing system & Office 365 in all entities and encourages its employees to use video calls as alternatives to onsite business meetings whenever possible. For unavoidable business trips, however, Addiko has introduced travel guidelines with a clear preference of using environmentally friendly and public transportation. To avoid commutes at the business trip destination, Addiko provides its employees with a list of recommended hotels, which can be booked at special rates and are in close proximity to regular meeting locations.

5.4.6. Document Management System

Addiko is engaged in the continuous improvement of its internal procedures to be more efficient and to save resources (especially paper) wherever possible. While some organisational units are legally required to use paper, other documents are fully digitalised as result of previous years' initiatives to optimise Addiko's document management.

5.4.7. Effects of Digital Banking

Besides the obvious benefits for the customer, Addiko's investment in and promotion of digital banking services such as e-banking, m-banking and fully digitalised loan processing also leads to positive environmental impacts in the form of a reduction in printing and paper (e.g. fewer payment and deposit slips and other documents, less toner consumption, etc.).

5.4.8. Paper Reduction and Sustainable Printing

Optimised printing management does not only save paper, it also has a substantial influence on waste in connection with toners and energy consumption. Addiko uses common, multifunctional large-scale printers, classified as energy efficiency category "A". The default printer settings are set to print in duplex mode and in black and white.

5.4.9. General Awareness Raising

Addiko increasingly emphasizes an overall ESG awareness among its staff and managers. Employees have access to an online library that offers e-books, audio books, and learning journeys with subsequent certification. In addition to technical and personal development content, the learning experience also focuses on sustainability issues. Furthermore, managers are trained on various sustainability topics at external training courses, be it in the area of sustainable finance and sustainability risks, or through executive courses for women in management and supervisory functions.

5.4.10. Supplier Management

The Procurement Policy of Addiko has been updated in early 2022 highlighting Addiko's expectations towards suppliers with regards to environmental protection. This obligates our suppliers to respect the fundamental rights, health and safety of their employees and refers to anti-corruption regulations. In the course of the supplier evaluation, commercial, professional/technical, legal and general parameters surrounding the future cooperation are examined and evaluated. The policy regulates all topics relating to the organization, procedures and systems in the procurement process. When awarding contracts for external services, it stipulates that when multiple tenders are received, environmental matters considered in the comparison of the offers and preference shall be given to sustainable companies.

5.4.11. Climate Risks Assessment

Addiko conducts a self-assessment on the potential impact of C&E risks on an annual basis and concluded that climate related and environment risks are not material for Addiko.

The outcome of qualitative and quantitative assessments showed on one hand that Addiko's focus on the business segments Consumer and SME will be able to benefit more from substitution effects under the income view (e.g. as Addiko's Consumer loans are not bound to a specific purpose, the financing of less climate friendly goods can be easily substituted by the financing of more climate-friendly consumer goods, in case consumer sentiment moves towards this direction), on the other hand, the focus on granular Consumer and SME loans allows to reduce the idiosyncratic risk driven by C&E risks via diversification.

Addiko's non-focus segments Mortgages, Large Corporates and Public Finance are more susceptible to C&E risks (both physical and transition risks) as they are affected both via microeconomic and macroeconomic transmission channels. The performed analysis highlighted once more the necessity to further accelerate Addiko's transformation towards granular Consumer and SME loans.

Due to the granularity and diversification of Addiko's loan portfolio in its focus segments, Addiko assumes that it will be mainly impacted via macroeconomic transmission channels. Acute and chronic C&E risks already have an impact on macroeconomic indicators, whereby the severity of this impact over the medium- to long-term is highly dependent on the measures taken to curb climate change.

While no immediate danger for Addiko was identified in the analysis of C&E risks, the urgency and uncertainty of C&E require the continuous monitoring of physical risks as well as their potential impact on the macroeconomy.

Despite the fact that highly affected industries are already now impacted by transition risks, Addiko's loan portfolio represents very low concentration in these industries, with the share of highly affected industries representing only 4% as of YE2022.

5.4.12. Disclosure Obligation in Accordance with Article 8 of EU Taxonomy Regulation

The EU Taxonomy Regulation sets out an EU-wide framework - a classification system - that allows investors and undertakings to determine whether an economic activity qualifies as environmentally sustainable. According to Art. 8 Taxonomy (EU) 2020/852 in connection with Delegated Act (EU) 2021/2178, Art. 10 section 3, financial market participants covered by the Non-Financial Reporting Directive (NFRD) are required to publish information on how and to what extent their economic activities qualify as environmentally sustainable under the Taxonomy Regulation. The NFRD applies to the Addiko Group. The disclosure requirements for the 2021 and 2022 financial years relate solely to Taxonomy eligibility: the share of the exposures to non-taxonomy eligible and taxonomy-eligible economic activities of the total assets, information on the portion of exposures not covered by the Non-Financial Reporting-Directive (NFRD) and the share of the trading portfolio and on-demand interbank loans. Taxonomy-eligible economic activities are defined in the Delegated Acts of the Taxonomy.

The second step in the disclosure process, the specific Taxonomy alignment, will then apply for the 2023 financial year. This graduated approach is necessary due to the reliance of the financial services industry on the ESG KPIs disclosed by its clients.

The following table presents six quantitative indicators in accordance with article 10 (2) of the Delegated Regulation (EU) 2021/2178 of 6 July 2 supplementing the EU Taxonomy Regulation (EU) 2020/852.

2022	(%)
(a1) Exposure to Taxonomy-eligible economic activities / Total assets - (weighted based on turnover)	7.5%
(a1) Exposure to Taxonomy-eligible economic activities / Total assets - (weighted based on CAPEX)	7.5%
(a2) Exposures to Taxonomy non-eligible economic activities / Total assets	2.8%
(b) Exposure to sovereigns, central banks, central governments, supranational issuers / Total assets	36.3%
(b) Exposures from derivatives / Total assets	0.1%
(c) Exposures to undertakings not subject to NFRD ¹ / Total assets	20.3%
(d) Trading portfolio / Total assets	0.3%
(d) On demand interbank loans / Total assets	1.3%

Taxonomy Ratio Contextual information

For additional information and improved clarity, the disclosure of the quantitative indicators is accompanied by qualitative information pursuant to Annex XI (EU) 2021/2178 to the Delegated Regulation.

In accordance with the legal requirements, the denominator of all quantitative indicators is represented by the Addiko Group's total on-balance sheet assets, which amounted to EUR 5,996.4 million at year-end 2022.

Taxonomy Ratio	Contextual information
(a1) Exposure to Taxonomy-eligible economic activities	In accordance with the instructions set out in Annex V of Delegated Regulation, the data used for the calculation of (a1) is based on NFRD eligible companies and taxonomy eligible NACE codes as well as financing purposes that are eligible according to the taxonomy regulation.
Private mortgage loans	Mortgage loans were identified by product classification and real estate collateral amount. Private individuals were selected based on the relevant NACE code for private households in EU countries.
NFRD Companies	<p>According to the Delegated Regulation EU companies subject to the NFRD should be identified and assessed whether these companies are within the taxonomy eligible NACE classification.</p> <p>The Group's NFRD client base was determined by reference to internally available data, and in particular the following: a) the country of incorporation of the counterparty (which must be an EU country); b) whether the gross revenue of the client exceeds EUR 50 million; c) whether the customer is either a credit institution or other financial corporation. We were unable to account for the number of employees (≥ 500) and we were unable to identify counterparties that fulfil all of the criteria other than those under c) but that are still subject to the obligation to publish a non-financial statement pursuant to Article 19a or 29a of Directive 2013/34/EU.</p> <p>The disclosure of Taxonomy-eligible exposures must be based on actual information provided by the financial or non-financial undertaking. Based on the published KPI, exposures to banks have been included in the relevant denominators both in the ratio "based on turnover" and "based on CAPEX".</p>
Special financing of commercial real estate	Based on Addiko strategy and its focus on unsecured lending, specialized lending real estate projects are not part of the existing products, for this reason the estimated amount 0.
(a2) Exposure to Taxonomy non-eligible economic activities	<p>Ratio (a2) reflects the proportion of exposures to Taxonomy non-eligible economic activities in the Addiko Group's total assets.</p> <p>It is important to note that, by definition, KPI (a1) and KPI (a2) do not add up to 100 per cent as the numerators of the two KPIs only represent a subset of Addiko's total assets. For example, exposures to central governments, exposures in respect of non-NFRD clients and trading book exposures are excluded by law (these exposures are covered by KPI (b), KPI (c) and KPI (d) respectively).</p>

¹ In the wording of Article 10, these are "undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU"

(b) Exposure to sovereigns, central banks, central governments, supranational issuers and exposures from derivatives	Exposures to central governments, central banks, supranational issuers and exposures from derivatives account for a material proportion of the Addiko Group's total assets. These exposures were identified according to their segment classes.
(c) Exposures to undertakings not subject to NFRD	Ratio (c) includes companies that are not subject to the NFRD and not considered in ratio (b). Exposures to non-EU undertakings are included in this ratio. Exposures to non-NFRD undertakings are expected to remain material, especially considering the proportion of Addiko Group activities in non-EU countries.
(d) Exposures in trading portfolio and on demand interbank loans	This ratio considers exposures in the trading portfolio and on demand interbank loans based on the relevant balance sheet positions.

Vienna, 21 February 2023

Addiko Bank AG
MANAGEMENT BOARD



Herbert Juranek
(Chairman)



Tadej Krašovec



Ganesh Krishnamoorthi



Edgar Flagg

6. Glossary

Addiko Bank	Addiko Bank Group
ABH	Addiko Bank AG Austria
ABC	Addiko Bank d.d. Croatia
ABG	Addiko Bank Group
ABS	Addiko Bank d.d. Slovenia
ABSA	Addiko Bank d.d. Bosnia & Herzegovina (Sarajevo)
ABBL	Addiko Bank a.d. Bosnia & Herzegovina (Banja Luka)
ABSE	Addiko Bank a.d. Serbia
ABM	Addiko Bank AD Montenegro
BNPL	Buy-now-pay-later
C&E risks	Climate and Environmental risks
CRO	Chief Risk Officer
CO2	Carbon Dioxide
CSEE	Central and South-Eastern Europe
CSR	Corporate Social Responsibility
CSRD	Corporate Social Responsibility Directive
D&I	Diversity & Inclusion
DLS	Digital Lending System
DPO	Data Protection Officer
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
ECB	European Central Bank
ESRS	European Sustainability Reporting Standards
EU	European Union
etc.	et cetera
FMA	Financial Market Authority
GDPR	General Data Protection Regulation
HC	Headcount
HR	Human Resources
HQ	Headquarter
ICERTIAS	International Certification Association
ISO 9001	The international standard that specifies requirements for a quality management system
KPI	Key Performance Indicator/s
KYC	Know Your Customer
LED	Light-Emitting Diode
Large Corporates	The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 40mn
LGBTQ+	Lesbian, Gay, Bisexual, Transgender, Queer and additional sexual identities
NaDiVeG	Austrian Sustainability and Diversity Improvement Act
PI	Private Individual
PPI	Payment Protect Insurance
Consumer	The segment Consumer includes private individuals, who do not represent a group, company, or organisation
SME	Small and Medium-Sized Enterprises; also includes micro enterprises
TTC	Time To Cash
TTY	Time To Yes
UNICEF	United Nations International Children's Emergency Fund
YE	Year End

7. Imprint

Owner and publisher:

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Herbert Juranek (Chief Executive Officer)
Edgar Flaggel (Chief Financial Officer)
Tadej Krašovec (Chief Risk Officer)
Ganesh Krishnamoorthi (Chief Market, IT & Digitalization Officer)

Addiko Bank AG Shareholders: split by investors (56.9% free float)

- DDM INVEST III AG (Switzerland) - Switzerland (9.90%)
- European Bank for Reconstruction and Development (EBRD) - UK (8.40%)
- Wellington Management Group LLP - USA (7.18%)
- Dr. Jelitzka + Partner Gesellschaft für Immobilienberatung und -verwertung GmbH - Austria (6.99%)
- WINEGG Realitäten GmbH - Austria (6.84%)
- Credit Suisse Group AG (Nominee shareholder of Infinity Management Limited (5.93%)
- Brandes Investment Partners, L.P. - USA (5.07%)
- RWC Asset Management LLP - UK (5.05%)
- MW Funds PTE.LTD - Singapore (5.00%)
- Management Board & Supervisory Board (0.21%)
- Other Shareholders (39.43%)

Responsible for content:

Compliance Department